

Appraisal and Appraisal Reviews for Acquisitions

To provide grant funds for an acquisition, OGALS needs evidence that the value of the property equals or exceeds the purchase price. Two documents are required:

- A fair market value appraisal, completed within 12 months of the proposed acquisition date
- A review of the appraisal by an independent third party
 - Note that the review is not a second appraisal; it is a formal evaluation performed to determine the quality and accuracy of an appraisal report. It is a certification that the appraisal was completed using acceptable methods and compliant with required standards.

Details of state and federal requirements follow:

State Grant Funded Acquisitions

If all or a portion of the Acquisition will be funded by a state grant, provide for each parcel:

1. An appraisal for the property
2. A separate letter from an independent third party, AG-rated appraiser certified by the California Office of Real Estate Appraisers stating that the appraisal was completed using acceptable methods and compliant with USPAP standards.

Federal Grant Funded Acquisitions

If all or a portion of the acquisition will be funded by a federal grant, provide for each parcel:

1. An appraisal by a qualified appraiser that meets the Uniform Appraisal Standards for Federal Land Acquisitions (in the real estate business, this document is known as the "Yellow Book"¹).
2. A letter from an independent appraiser certifying that the appraisal was reviewed and that it meets the Yellow Book standards. This document can be one page long, and should not be a second, separate appraisal.

It is critical that both the appraiser, and the person hired to do the appraisal review, be familiar with Yellow Book standards.

The appraised value will be used as the measure for federal funding assistance for acquisitions, including acquisition of fee simple and less than fee simple interests, and also determines the value of land being provided as match.

Note that meeting the Uniform Standards of Professional Appraisal Practice (USPAP) compliance alone will not result in Yellow Book compliance. For the purpose of Yellow

¹ The UASFLA 2000 edition published by the Appraisal Institute in cooperation with the U.S. Department of Justice is found on-line at:
<http://www.justice.gov/enrd/land-ack/Uniform-Appraisal-Standards.pdf>.

Book compliance, any appraisal report, whether identified by the appraiser as a self-contained report or a summary report, will be considered as meeting Yellow Book requirements for a self-contained report only if it has been prepared in accordance with the Yellow Book.

For both state and federal grant funded acquisitions:

OGALS may request a letter or addendum from an appraiser confirming fair market value for any appraisal at any time due to market fluctuations.

The purchase price cannot exceed the fair market value. State funds cannot be used in part or whole to acquire property above the appraised fair market value.